

**Kestra Investment Services, LLC (“Kestra”)**  
**Extended Hours Trading: Know the Risks**

Technology has made stock trading more accessible to retail investors in a variety of ways, including the increased availability of extended hours trading. Placing orders outside of regular trading hours adds complexity and risk to an otherwise simple process.

Regular trading hours for listed stocks are from 9:30 a.m. to 4:00 p.m. Eastern time. Stock trading activity outside regular trading hours was relatively limited in the past. The number of exchanges has since multiplied, as has the number of alternative trading systems and the trading interfaces offered by brokerage firms. Most of these venues typically still follow the same regular trading session schedule, but changes in the marketplace have led to more widespread trading activity outside regular trading hours.

Trading activity that takes place early in the morning, before regular trading begins, is commonly referred to as pre-market trading. Trading that occurs later in the day, after regular trading ends, is known as post-market or after-hours trading. Pre-market trading is typically defined as taking place from 7:00 a.m. to 9:30 a.m. Eastern time and after-hours trading from 4:00 p.m. to 8:00 p.m. Eastern time. Activity that takes place outside of regular trading hours, whether in the pre-market or after-hours, is generally referred to as extended hours trading.

It is important to note that the differences between extended hours trading and regular session trading include more than just timing. Extended hours trading comes with its own set of [risks](https://www.finra.org/investors/investing/investing-basics/risk) (<https://www.finra.org/investors/investing/investing-basics/risk>). If you’re considering engaging in extended hours trades, here are a few factors to consider:

- **Extended hours trading is less liquid.** Despite the increasing amount of extended hours trading activity, that activity is still dwarfed by the tens of millions of transactions that typically take place during regular trading hours. If you’re seeking to buy or sell securities during extended hours, you might find comparatively fewer counterparties, making it more difficult to execute a trade. As a result, your order may be executed partially or not at all. If it’s executed, it might not be at a competitive price compared to regular trading hours.
- **Extended hours trading activity is often more volatile.** Because fewer trades occur during extended hours, stocks might be vulnerable to wider swings ([volatility](https://www.finra.org/investors/investing/investing-basics/volatility)) (<https://www.finra.org/investors/investing/investing-basics/volatility>) during extended hours trading because of the speed with which some investors react to key corporate events, such as earnings or other significant announcements, which often take place during the extended hours period. For example, a company

that reports disappointing [earnings](#) (<https://www.finra.org/investors/insights/earnings-season>) after the market closes might see a rapid decline in its share price during after-hours trading due to the market's reaction to the announcement. However, trading might become smoother once investors have had time to review and absorb more information about the results and regular trading hours resume.

- **Markets aren't linked during extended hours.** The price available at one trading venue might be inferior to the price available for the same security at the same time on other extended hours trading venues. Brokerage firms are generally required to fill customer orders for listed stocks at the best price at the time—known as the National Best Bid and Offer (NBBO) during regular trading hours. The NBBO is only published during regular trading hours, so this requirement doesn't apply to extended hours trading. As a result, you might receive an inferior price in one extended hours trading system as compared to another system.
- **Extended hours trading doesn't change exchanges' official closing prices or determine the next day's opening prices.** The share prices recorded at 4:00 p.m. Eastern time on the exchanges on a given day are considered the official closing prices for that day, regardless of what happens during extended hours trading. These official closing prices are what investment funds use to calculate the value of their holdings at the end of regular trading hours. The next day's opening prices are generated based on supply and demand for the securities at or around the time markets open. The pricing dynamics at market open might differ from the prior extended hours trading session, which creates the risk that the price you receive during the extended hours period might be worse than during the following day's regular trading hours.
- **Stock options generally don't trade in extended hours.** At present, options exchanges offer extended hours trading in only a limited number of options contracts.
- **Kestra may set specific parameters for extended hours trading.** Rules among brokerage firms about when and how customers can participate in extended hours trading may vary. For instance, Kestra might impose fixed times for such trading, restrict activity to a specific trading venue, or allow investors to trade only certain products. Firms might only accept [limit orders](#) (<https://www.finra.org/investors/investing/investment-products/stocks/order-types>) during extended hours trading and may have different policies regarding whether unexecuted extended hours trades are canceled or carried over to the start of regular trading hours. Some firms might not offer extended hours trading at all.

- Kestra offers premarket trading from 8:00 a.m. to 9:15 a.m. Eastern time and after-hours trading from 4:00 p.m. to 6:00 p.m. Eastern time. Kestra reserves the right to not accept an order for extended hours trading.
- Extended hours must be entered as a limit order and may not be for more than 25,000 shares. Prices must be entered in fractional increments of at least 1/16, unless the security trades in decimals.
- Not all securities are eligible for extended hours trading. All orders must be for securities traded on the ECN to which our clearing firm, NFS, LLC, sends orders.
- In the event that an ECN becomes unavailable during an extended hours session, our clearing firm, NFS, LLC, may submit orders to another eligible and available ECN to maintain order flow. Thus, your order may be presented in any one of several eligible ECN's.
- Open orders not executed, or not filled, during pre-market hours or after-market hours (based on when the order was entered) will be cancelled and must be re-entered during normal business/trading hours. Orders not executed, or not filled, due to trading halts must be re-entered during normal business/trading hours.
- Kestra is not liable for delays in the transmission of orders due to a breakdown or failure of transmission, communication or data processing facilities, or for any other cause beyond our reasonable control.
- Transactions are subject to the applicable rules and regulations of the self-regulatory organizations and governmental authorities.
- Transactions are subject to all other agreements applicable to your account(s).

Please review the related risks before engaging in extended hours trading,

<https://www.finra.org/investors/insights/extended-hours-trading>.